

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Members of the Board of Regents, State of Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Iowa State University of Science and Technology (University) and its discretely presented component unit as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 11, 2015. Our report includes a reference to other auditors who audited the financial statements of the Iowa State University Foundation, Iowa State University Achievement Fund and the Original University Foundation (the "Foundation"), the Iowa State University Research Foundation, Incorporated and the Iowa State University Veterinary Services Corporation as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters which are reported on separately by those auditors. The financial statements of the Foundation and the Iowa State University Research Foundation, Incorporated were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as Item (A), we consider to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which will be reported to management in a separate departmental report.


#### Iowa State University of Science and Technology's Response to the Finding


The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the University's response.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa State University of Science and Technology during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 11, 2015

Iowa State University of Science and Technology

Schedule of Findings

Year ended June 30, 2015

**Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

- (A) Financial Reporting – During the audit, we identified a material amount of direct lending receipts and payments misclassified as funds held for others receipts and payments in the University's Statement of Cash Flows. Adjustments were subsequently made by the University to properly classify these amounts in the financial statements.
- (B) Recommendation – The University should implement procedures to ensure direct lending receipts and payments are properly recorded in the University's Statement of Cash Flows.
- (C) Response – Written procedures have been updated to specifically address the adjustment required to properly classify direct lending receipts and payments on the University's Statement of Cash Flows. In addition, the review checklist used by financial reporting work paper preparers and reviewers has been revised to include additional detective controls.
- (D) Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.